

AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

Assembly Joint Resolution

No. 1

**Introduced by Assembly Member Cardoza Members Cardoza and
Keeley
(Coauthor: Assembly Member Negrete McLeod)**

March 22, 2001

Assembly Joint Resolution No. 1—Relative to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

AJR 1, as amended, Cardoza. Natural gas.

This measure would urge the President ~~and, the~~ Congress of the United States, *and the Federal Energy Regulatory Commission* to take ~~swift and appropriate action~~ *certain actions* to address the substantial increase in the cost of natural gas resulting from federal deregulation of natural gas.

Fiscal committee: no.

- 1 ~~WHEREAS, The federal deregulation of natural gas has failed~~
2 *WHEREAS, Expenditures for natural gas in California will*
3 *have increased from \$8 billion in 1999 to \$13 billion in 2000, and*
4 *to an estimated \$32 billion in 2001; and*
5 *WHEREAS, These increases have had and will have devastating*
6 *impacts on residential, agricultural, and business natural gas*
7 *users and on the cost of generating electricity, and will have a*
8 *devastating impact on the California economy; and*
9 *WHEREAS, In 1938, Congress enacted the National Gas Act to*
10 *regulate the sale of natural gas because it “considered that the*

1 natural gas industry was heavily concentrated and that
2 monopolistic forces were distorting the market price for natural
3 gas”; and

4 WHEREAS, Congress’ “primary aim ... was to protect
5 consumers against exploitation at the hands of natural gas
6 companies” and to ensure consumers “access to an adequate
7 supply of gas at a reasonable price”; and

8 WHEREAS, By 1989, Congress had fully deregulated the sale
9 of natural gas at the wellhead; and

10 WHEREAS, Interstate natural gas pipelines are still regulated
11 under the federal Natural Gas Act, with maximum pipeline
12 transportation rates being established by the Federal Energy
13 Regulatory Commission (FERC); and

14 WHEREAS, By 1992, FERC (not Congress) deregulated
15 natural gas sales by wholesalers who use interstate natural gas
16 pipelines, but FERC said that it would entertain complaints about
17 market misuse; and

18 WHEREAS, Wholesalers of natural gas must pay the pipeline
19 transportation price that is less than or equal to the maximum
20 pipeline transportation rate established by FERC, but may charge
21 more than the FERC-established maximum pipeline
22 transportation rate; and

23 WHEREAS, California entities have filed complaints with
24 FERC about market misuse; and

25 WHEREAS, Natural gas deregulation has worked in every state
26 except California, where spot natural gas costs at the California
27 border have skyrocketed, reaching \$62 per MMBtu for natural gas
28 in December 2000, while the wellhead price plus the maximum
29 pipeline transportation rates was about \$5.50; now, therefore, be
30 it

31 Resolved, by the Assembly and Senate of the State of California,
32 jointly, That the President of the United States, the Congress of the
33 United States, and the Federal Energy Regulatory Commission are
34 urged to do all of the following:

35 (a) Reestablish cost-based regulation of natural gas sales at
36 the California border by marketers or owners of pipelines.

37 (b) Prohibit withholding of natural gas capacity on pipelines
38 entering California.

1 (c) *Require owners of each pipeline entering California to post*
2 *on the Internet on a daily basis the firm capacity available and the*
3 *name, address, and capacity used by each firm user of the pipeline.*

4 (d) *Require marketers to post on the Internet the price and*
5 *quantity of each sale of natural gas at the California border.*

6 ~~and has had the effect of substantially increasing the cost of gas to~~
7 ~~consumers; and~~

8 ~~WHEREAS, The federal deregulation of natural gas has been~~
9 ~~a major contributing factor to the current energy crisis facing~~
10 ~~California; and~~

11 ~~WHEREAS, Natural gas should be regulated or the price should~~
12 ~~be temporarily fixed; and~~

13 ~~WHEREAS, The problem is not one faced only by California,~~
14 ~~but is a concern of the entire national economy; and, therefore, be~~
15 ~~it~~

16 ~~*Resolved by the Assembly and Senate of the State of California,*~~
17 ~~*jointly, That the President and Congress of the United States are*~~
18 ~~*urged to take swift and appropriate action to address the substantial*~~
19 ~~*increase in the cost of natural gas resulting from federal*~~
20 ~~*deregulation of natural gas; and be it further*~~

21 ~~*Resolved, That the Chief Clerk of the Assembly transmit copies*~~
22 ~~*of this resolution to the President and Vice President of the United*~~
23 ~~*States, and to each Senator and Representative from California in*~~
24 ~~*the Congress of the United States.*~~

